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LISTING STATEMENT NO. 2604

LISTED FEBRUARY 26, 1973.

1,250,270 Class A Fully Participating Shares without par value of which 688,191 shares are subject to issuance.

1,250,270 Class B Fully Participating Shares without par value of which 572,079 shares are subject to issuance.

	Class A	Class B
Stock Symbol	SUA ■ A	SUA ■ B
Post Section	11	11

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THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

SUPERIOR ACCEPTANCE CORPORATION LIMITED

Incorporated under the laws of the Province of Ontario
by Letters Patent dated the 16th day of September, 1960.

CUSIP
Class A 868060 10 4
Class B 868060 20 3

CAPITALIZATION AS AT SEPTEMBER 30, 1972
(after giving effect to the public offering under the attached Prospectus)

SHARE CAPITAL	Authorized	Issued and Outstanding	To be Listed
Class A Fully Participating Shares without par value	2,000,000	562,079	1,250,270*
Class B Fully Participating Shares without par value	1,000,000	678,191	1,250,270
Common Shares without par value	100	Nil	Nil

* 10,000 of which are subject to issuance pursuant to an employees' stock option plan.

FUNDED DEBT OF SUPERIOR ACCEPTANCE CORPORATION LIMITED	Authorized	Issued and Outstanding	To be Listed
Notes, short-term (representing bank indebtedness)	*	\$ 3,831	Nil
Sundry amounts loaned at 7¾%		\$435,758.60	Nil

Series	Rate and Maturity	Amount Authorized	Issued and Outstanding	To be Listed
A	7% November 15, 1972	\$ 977,500 (\$1,000,000 U.S.)	\$ 97,750 (\$100,000 U.S.)	Nil
B	6¼% April 15, 1975	\$1,075,625 (\$1,000,000 U.S.)	\$322,687 (\$300,000 U.S.)	Nil
C	6⅛% December 15, 1979	\$1,073,438 (\$1,000,000 U.S.)	\$715,983 (\$667,000 U.S.)	Nil
D	6¼% January 15, 1978	\$1,343,750 (\$1,250,000 U.S.)	\$322,219 (\$300,000 U.S.)	Nil
E	7¼% August 15, 1982	\$ 543,438 (\$ 500,000 U.S.)	\$417,904 (\$384,500 U.S.)	Nil
F	10% December 1, 1984	\$1,252,734 (\$1,250,000 U.S.)	\$1,252,734 (\$1,250,000 U.S.)	Nil
G	9% August 15, 1985	\$ 686,875 (\$ 700,000 U.S.)	\$686,875 (\$700,000 U.S.)	Nil

	<u>Authorized</u>	<u>Issued and Outstanding</u>	<u>To be Listed</u>
Subordinated Debentures, due May 1, 1980	Nil	\$1,046,250	Nil

* Under the provisions of the Company's Trust Deed, the Company may issue short-term notes representing bank or other indebtedness within the limits therein prescribed. The Company's bank line of credit as at September 30, 1972, was \$7,000,000.

**FUNDED DEBT OF SUPERIOR
INVESTMENT CO. LIMITED**
(excluding inter-corporate debt)

Bank Indebtedness	*	\$3,903,615	Nil
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* Superior Investment Co. Limited's bank line of credit as at September 30, 1972, was \$4,000,000.

1. **APPLICATION**

SUPERIOR ACCEPTANCE CORPORATION LIMITED (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,250,270 Class A Fully Participating Shares without par value in the capital of the Company, 562,079 of which have been issued and are outstanding as fully paid and non-assessable, and 10,000 of which are subject to issuance pursuant to an Employees' Stock Option Plan, and of 1,250,270 Class B Fully Participating Shares without par value in the capital of the Company, 678,191 of which have been issued and are outstanding as fully paid and non-assessable.

2. **REFERENCE TO PROSPECTUS**

Reference is made to the attached Prospectus issued by the Company under date of November 22, 1972, with respect to the offering of 300,000 Class A Fully Participating Shares without par value, a copy of which Prospectus is hereby incorporated in this application and made part thereof.

3. **INCORPORATION**

The Company was incorporated under the laws of the Province of Ontario by Letters Patent dated September 16, 1960, with an authorized capital divided into 18,000 non-voting preference shares with a par value of \$100 each and 200,000 common shares without par value. By Supplementary Letters Patent dated July 10, 1969, the authorized capital of the Company was changed to 500,000 Class A Preference Shares with a par value of \$10 each, issuable in series, of which 135,000 shares, designated as 6% cumulative redeemable convertible Class A Preference Shares, First Series, were authorized for issue; 13,364 Class B Preference Shares with a par value of \$100 each; and 3,000,000 common shares without par value. By Articles of Amendment dated August 2, 1971, the authorized capital of the Company was increased by creating an additional 1,636 Class B Preference Shares with a par value of \$100 each, and 312,081 issued common shares were converted into Class C Special Shares. On September 15, 1971, 900 of the 13,364 issued Class B Preference Shares in the capital of the Company were redeemed. On December 23, 1971, 690 Class B Preference Shares with a par value of \$100 each in the capital of the Company were issued and redeemed. On April 28, 1972, 11,960 Class B Preference Shares with a par value of \$100 each in the capital of the Company were purchased for cancellation. By Articles of Amendment dated June 8, 1972, 728,189 issued common shares without par value were converted into 728,189 Class D Special Shares without par value. On October 4, 1972, 504 issued Class B Preference Shares were redeemed. By Articles of Amendment dated November 14, 1972, the issued Class C Special Shares without par value in the capital of the Company were re-classified as Class A Fully Participating Shares without par value, the issued Class D Special Shares without par value in the capital of the Company were re-classified as Class B Fully Participating Shares without par value, the Class A Preference Shares were re-classified and changed into Class A Fully Participating Shares and Class B Fully Participating Shares, the authorized capital of the Company was increased by the creation of 100 common shares without par value, and decreased by the cancellation of all of the authorized but unissued Class B Preference Shares with a par value of \$100 each.

4. **SHARES ISSUED DURING PAST TEN YEARS**

(a) Common shares without par value (presently Class A Fully Participating Shares without par value and Class B Fully Participating Shares without par value)

<u>Date of Issue</u>	<u>Number of shares issued</u>	<u>Amount realized per share</u>	<u>Total amount realized</u>	<u>Purpose of Issue</u>
As at December 31, 1962	148,610	\$1.00	\$148,610	Incorporator's shares and as part consideration for the acquisition of Superior Credit Corporation Limited (formerly Superior Discount Limited)
July 10, 1969	1,040,270	—	—	Subdivision of existing issued shares
December 12, 1972	200,000	\$4.1625	\$832,500	Class A Fully Participating Shares issued as described in the attached Prospectus

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities are offered by this prospectus only in jurisdictions where they may be lawfully offered.

New and Secondary Issue

Superior Acceptance Corporation Limited

(Incorporated under the laws of the Province of Ontario)

300,000 Class A Fully Participating Shares

without par value

The 300,000 Class A Fully Participating Shares (the "Class A Shares") offered by this Prospectus consist of 200,000 Class A Shares which are being purchased from the Company and 100,000 issued and outstanding Class A Shares which are being purchased from the Selling Shareholders shown under "Principal and Selling Shareholders" on page 12.

CONVERSION PRIVILEGE

Each Class A Share is convertible at the option of the holder at any time into one Class B Fully Participating Share ("Class B Share") of the Company.

The Class A Shares and the Class B Shares are fully participating equity shares, full particulars of which appear under "Description of Share Capital of the Company" on page 10. There is no market for the shares of the Company and the price for this offering was determined by negotiation between the Company, the Selling Shareholders and the Underwriter.

Application has been made to list the Class A Shares and the Class B Shares on The Toronto Stock Exchange, and has been accepted subject to the filing of required documents and evidence of satisfactory distribution within a period of 90 days.

In the opinion of counsel, the Class A Shares and the Class B Shares into which they are convertible will each be an investment in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may invest its funds without resorting to the provisions of subsection (4) of Section 63 of the said Act and will also be an investment in which Schedule C to the Regulations under the Pension Benefits Standards Act states that the funds of a pension plan thereunder may be invested without resorting to the provisions of Section 4 of Schedule C.

PRICE: \$4.50 per share

	Price to Public	Underwriting Discount	Proceeds to the Company*	Proceeds to the Selling Shareholders*
PER SHARE.....	\$4.50	\$.3375	\$4.1625	\$4.1625
TOTAL.....	\$1,350,000	\$101,250	\$832,500	\$416,250

*Before deducting estimated expenses of \$30,000 which are payable as to approximately \$20,000 by the Company and \$10,000 by the Selling Shareholders.

We, as principals, conditionally offer these Class A Shares subject to prior sale if, as and when issued and delivered to and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under "Underwriting" on page 10 and subject to the approval of all legal matters on our behalf by Messrs. Siegal, Fogler, Toronto, and on behalf of the Company and the Selling Shareholders by Messrs. Goodman and Carr, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery on or about December 14, 1972.



N. L. Sandler & Co. Limited

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1967 (Alberta), The Securities Act (Ontario) and The Securities Act, 1967 (Saskatchewan) provide, in effect, that where a security is offered to the public in the course of distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

The Securities Act, 1967 (British Columbia) provides, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities, as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Acts for the complete text of the provisions under which the foregoing rights are conferred.

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THE COMPANY

Superior Acceptance Corporation Limited (the "Company") was incorporated under The Corporations Act (Ontario) by Letters Patent dated September 16, 1960. Articles of Amendment dated November 14, 1972 have been granted to the Company reorganizing its share capital into the share capital described under "Capitalization" on page 4.

The Company, whose head and principal office is located at 22 College Street, Toronto, Ontario, is taxable as a Canadian corporation under federal and provincial income tax legislation.

The Company has four wholly-owned subsidiaries, Superior Credit Corporation Limited ("Credit"), Superior Finance Limited ("Finance"), Superior Investment Co. Limited ("Investment") and Superior Acceptance (Alberta) Limited ("Alberta"), all of which together with the Company are hereinafter referred to as "Superior".

Superior is engaged in the acceptance and finance business. This business was originally carried on by Credit, then known as Superior Discount Limited, which commenced operations in 1948.

CAPITALIZATION

The following table sets forth (in Canadian funds unless otherwise indicated) the capitalization of the Company and its subsidiaries:

Description of Security		Amount authorized	Amount outstanding as of August 31, 1972	Amount outstanding as of September 30, 1972	Amount outstanding as of September 30, 1972 after giving effect to this financing(8)
DEBT OF THE COMPANY					
Secured Debt(1)					
Notes, short term (representing bank indebtedness).....		(2)	\$4,412,167	\$4,643,814	\$3,831,314
Notes, long term(3)					
Series	Rate and Maturity				
A	7% November 15, 1972....	\$ 977,500 (\$1,000,000 U.S.)	\$ 97,750 (\$100,000 U.S.)	\$ 97,750 (\$100,000 U.S.)	\$ 97,750 (\$100,000 U.S.)
B	6¼% April 15, 1975.....	\$1,075,625 (\$1,000,000 U.S.)	\$ 322,687 (\$300,000 U.S.)	\$ 322,687 (\$300,000 U.S.)	\$ 322,687 (\$300,000 U.S.)
C	6½% December 15, 1979..	\$1,073,438 (\$1,000,000 U.S.)	\$ 715,983 (\$667,000 U.S.)	\$ 715,983 (\$667,000 U.S.)	\$ 715,983 (\$667,000 U.S.)
D	6¼% January 15, 1978....	\$1,343,750 (\$1,250,000 U.S.)	\$ 322,219 (\$300,000 U.S.)	\$ 322,219 (\$300,000 U.S.)	\$ 322,219 (\$300,000 U.S.)
E	7¼% August 15, 1982.....	\$ 543,438 (\$500,000 U.S.)	\$ 417,904 (\$384,500 U.S.)	\$ 417,904 (\$384,500 U.S.)	\$ 417,904 (\$384,500 U.S.)
F	10% December 1, 1984....	\$1,252,734 (\$1,250,000 U.S.)	\$1,252,734 (\$1,250,000 U.S.)	\$1,252,734 (\$1,250,000 U.S.)	\$1,252,734 (\$1,250,000 U.S.)
G	9% August 15, 1985.....	\$ 686,875 (\$700,000 U.S.)	\$ 686,875 (\$700,000 U.S.)	\$ 686,875 (\$700,000 U.S.)	\$ 686,875 (\$700,000 U.S.)
OTHER DEBT					
Subordinated Debentures, due November 30, 1972(4).....		\$1,000,000	\$ 728,000	\$ 728,000	\$ 728,000
Subordinated Debentures, due May 1, 1980(5).....			\$1,046,250	\$1,046,250	\$1,046,250
DEBT OF SUBSIDIARIES					
Bank indebtedness(6).....			\$3,612,220	\$3,903,615	\$3,903,615
SHARE CAPITAL OF THE COMPANY(7)					
Class A Fully Participating Shares without par value.....		2,000,000 shs. (9) (\$4,000,000)	312,081 shs. (\$44,583)	312,081 shs. (\$44,583)	562,079 shs. (\$884,225)
Class B Fully Participating Shares without par value.....		1,000,000 shs. (\$2,000,000)	728,189 shs. (\$104,027)	728,189 shs. (\$104,027)	678,191 shs. (\$96,885)
Common Shares without par value..		100 shs. (\$200)	—	—	—

NOTES:

- (1) All of the short term and long term Notes outstanding were issued pursuant to the Trust Deed referred to under "Assets Subject to Trust Indentures" on page 15.
- (2) Under the provisions of the Trust Deed, the Company may issue short term Notes representing bank or other indebtedness within the limits therein prescribed, but not exceeding \$1,000,000,000 in the aggregate. The Company's bank line of credit, at the dates specified, including the amount then in use, was \$7,000,000.
- (3) These Notes are repayable in U.S. funds.
- (4) Approximately \$200,000 of these Debentures are owned by beneficial shareholders of the Company and their spouses. The balance of these Debentures are owned by former shareholders of the Company or their children, all of whom are related to the present beneficial shareholders. These Debentures were issued in 1960.
- (5) These Debentures are owned by beneficial shareholders of the Company and were issued contemporaneously with the purchase for cancellation of 11,960 of the 12,464 preference shares of the Company then outstanding at their par value of \$1,196,000. Of such amount, \$1,080,000 was returned to the Company in exchange for an equivalent principal amount of these Debentures. Such principal amount was reduced by a quarterly payment of \$33,750 in August, 1972.

- (6) This indebtedness is secured by a general assignment of book debts from Investment to its bank. Investment's bank line of credit, at the dates specified, including the amount then in use, was \$4,000,000.
- (7) The share capital of the Company gives retroactive effect to the purchase for cancellation of the remaining 504 outstanding preference shares of the Company on October 4, 1972 for the sum of \$50,400 and the receipt of Articles of Amendment by the Company dated November 14, 1972 which changed the share capital to that shown above.
- (8) This column reflects the conversion on October 23, 1972 of 49,998 Class D Special Shares (now Class B shares) into 49,998 Class C Special Shares (now Class A shares).
- (9) Reference is made to note 11 on page 22 for details of Class A Shares reserved for issue.
- (10) Reference is made to note 9 on page 22 for information with respect to lease commitments.

OPERATIONS

I. Cash Loans

Superior, through 22 branches located throughout Ontario, makes cash loans directly to individuals, which loans are divided into two categories, Small Loans and Large Loans.

Small Loans—These are loans of up to \$1,500 to individuals made under the provisions of the Small Loans Act. These loans are evidenced by promissory notes, and most are secured by chattel mortgages or guaranteed by endorsers. The average Small Loan outstanding at August 31, 1972 amounted to \$439.

Large Loans—These are loans exceeding \$1,500 to individuals. In addition to promissory notes and chattel mortgages given by the borrowers, many of these loans are further secured by first, second or third realty mortgages. The average Large Loan outstanding at August 31, 1972 amounted to \$3,047.

II. Retail Receivables

Superior, pursuant to licencing agreements, acquires accounts receivable arising from customer purchases from 2 G.E.M. Stores operated by Sentry Department Stores Limited and 28 Woolco Department Stores operated by F. W. Woolworth Co. Limited. For this purpose, Superior maintains a credit office in each of these department stores, which are situate in the Provinces of British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland. Under its licencing agreements, Superior purchases from the store all accounts receivable due from customers within credit limits established for each customer by Superior. Superior also purchases accounts receivable owing by customers of other retail stores.

All Retail Receivables are divided into two categories, Conditional Sales Agreements and Revolving Credit Receivables.

Conditional Sales Agreements—These are receivables acquired primarily from stores, including the department stores mentioned above, evidenced by promissory notes payable in monthly instalments over periods of up to three years. The average amount outstanding in respect of each Conditional Sale Agreement at August 31, 1972 was \$255.

Revolving Credit Receivables—These are accounts of customers acquired from the department stores referred to above in respect of purchases made by such customers, up to a dollar limit set by Superior on the basis of information in the application for credit made by the customer. The unpaid balance of each customer's revolving credit account is payable over a period of up to 24 months. The average amount outstanding in respect of each Revolving Credit Receivable at August 31, 1972 was \$96.

Corporate Organization

The Company carries on the business of acquiring Conditional Sales Agreements in the Provinces of British Columbia, Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland and acquires Revolving Credit Receivables arising from a Woolco Department Store in British Columbia. Credit carries on the business of making Large Loans in the Province of Ontario. For the purpose of taking mortgages on real estate as security, it is a registered mortgage broker in Ontario. Credit also carries on the business of acquiring Revolving Credit Receivables arising from G.E.M. Stores in Ontario. Finance carries on the business of making Small Loans in the Province of Ontario. For this purpose it is licenced under and its finance charges are regulated by the Small Loans Act. Investment carries on the business of acquiring Revolving Credit Receivables arising from Woolco Department Stores in the Provinces of Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland. Alberta carries on the business of acquiring Revolving Credit Receivables and Conditional Sales Agreements arising from Woolco Department Stores in the Province of Alberta. Provincial licences have been obtained where required in order to enable the Company and its subsidiaries to carry on business.

The Company lends funds to Credit to enable it to carry on its business and to enable Credit to lend funds to Finance to carry on its business. The Company lends funds to Investment as required to enable it to carry on its business, but such loans are restricted by the terms of the Trust Deed, referred to under "Assets Subject to Trust Indentures" on page 15, to an amount not exceeding a stated formula, which in no event may exceed the sum of \$1,000,000, unless such loans are secured in the manner required by the Trust Deed. The Company also lends funds to Alberta to enable it to carry on its business.

The acquisition of any business by Superior out of the ordinary course, whether through the purchase of shares or assets, requires the approval of the Board of Directors of the acquiring company.

Superior has expanded its two principal types of business over the past ten years as set forth in the following table:

December 31	Cash Loans		Retail Receivables			Total	
	Number of Branches	Receivables Outstanding	Department Stores		Other(1)	Number of Branches and Locations	Receivables Outstanding
			Number of Locations	Receivables Outstanding	Receivables Outstanding		
1962.....	17	\$6,511,436	6	\$ 1,255,077	\$310,965	23	\$ 8,077,478
1963.....	19	7,242,094	6	2,194,805	172,875	25	9,609,774
1964.....	20	7,915,047	9	3,285,747	263,425	29	11,464,219
1965.....	20	8,822,020	15	5,129,771	364,872	35	14,316,663
1966.....	20	8,524,413	20	6,030,344	261,552	40	14,816,309
1967.....	20	8,769,128	22	6,436,593	52,503	42	15,258,224
1968.....	20	8,941,462	24	7,861,708	12,399	44	16,815,569
1969.....	21	9,055,665	27	9,518,901	—	48	18,574,566
1970.....	21	8,323,362	25	9,241,800	—	46	17,565,162
1971.....	22	9,160,854	28	10,253,676	—	50	19,414,530

(1) These Retail Receivables originated from branch offices rather than locations in department stores.

Credit Policy

As a general policy, the manager of each branch office or location of Superior has the authority to approve the making of any loan or the purchase of any account receivable up to \$1,000. Any loan or purchase of an account receivable between \$1,000 and \$5,000 must be approved by the Vice-President of the Company. Any loan or purchase of an account receivable over \$5,000 must be approved by the President or the Chairman of the Board of the Company.

Credit Loss Experience

The following table sets forth the amounts of the credit losses and related information with respect to Superior for each of the preceding five financial years:

Year ended December 31	Provision for Losses on collection of Receivables (charged to income)	Losses			Allowance for Losses at end of period(1)	
		Amount (2)	Percentage of Receivables Liquidated	Percentage of Average Monthly Receivables	Amount	Percentage of Receivables
1967.....	\$213,850	\$147,616	0.88	1.05	\$463,902	3.04
1968.....	187,812	154,286	0.82	1.02	500,296	2.97
1969.....	189,777	84,939	0.41	0.52	592,357	3.19
1970.....	247,995	103,927	0.47	0.62	736,425	4.19
1971.....	118,255	160,089	0.73	0.95	701,009	3.61

(1) The allowance for losses on collection of receivables in the financial statements is established by the President and the Chairman of the Board and the Treasurer, based on a review of the receivables.

(2) Losses shown are receivables written off less recoveries from receivables previously written off.

Delinquencies

The following table, covering all receivables other than Revolving Credit Receivables, shows the balances of delinquent accounts. Delinquencies are determined on the basis of the original contract of the customer or borrower. If any single payment is not received on the due date, the whole of the balance owing upon the particular account is treated by Superior as delinquent until all arrears are paid:

December 31	Balances delinquent between 60 days and 90 days			Balances delinquent 90 days and over			Total balances delinquent 60 days and over		
	Number of Ac- counts	Amount	Percentage of Receivables	Number of Ac- counts	Amount	Percentage of Receivables	Number of Ac- counts	Amount	Percentage of Receivables
1967.....	245	\$226,506	2.25	757	\$ 681,364	6.76	1,002	\$ 907,870	9.01
1968.....	273	271,831	2.57	866	813,472	7.69	1,139	1,085,303	10.26
1969.....	263	206,059	1.84	988	903,237	8.09	1,251	1,109,296	9.93
1970.....	321	157,282	1.54	1,308	1,165,340	11.43	1,629	1,322,622	12.97
1971.....	294	162,775	1.49	1,130	1,077,808	9.83	1,424	1,240,583	11.32

The following table, covering only Revolving Credit Receivables, shows the total of payments in arrears. A payment is considered to be in arrears if it has not been paid within 30 days after billing:

December 31	Payments in arrears	
	Amount	Percentage of Receivables
1967.....	\$546,163	10.53
1968.....	511,970	8.21
1969.....	601,018	8.11
1970.....	797,522	10.83
1971.....	671,923	7.95

Determination of Income

Superior takes income into account on the following bases:

Small Loans—Interest is taken into income as collected.

Large Loans and Conditional Sales Agreements—No amount is taken into income at the time of making the loan or acquiring the Conditional Sales Agreement. Finance charges are taken into income as earned over the term of such loan or such Conditional Sales Agreement, employing the sum of the digits method.

Revolving Credit Receivables—Receivables are acquired from department stores at face value less a commission, which is taken into income at the time the receivable is acquired. The accounts are then billed each month and a monthly service charge is applied based upon the unpaid balance at the end of the previous month; this service charge is taken into income as billed.

Analysis of Receivables

The following table sets forth the amounts of receivables of the Company and its subsidiaries in the classifications referred to on page 5.

December 31	Cash Loans		Retail Receivables		Total
	Small Loans	Large Loans	Conditional Sales Agreements	Revolving Credit Receivables	
			(thousands of dollars)		
1967.....	\$2,167	\$6,602	\$1,306	\$5,183	\$15,258
1968.....	2,013	6,928	1,637	6,238	16,816
1969.....	1,879	7,176	2,113	7,406	18,574
1970.....	1,406	6,917	1,875	7,367	17,565
1971.....	1,269	7,892	1,799	8,455	19,415

Maturity of Receivables

The major portion (approximately 82%) of the receivables of Superior matures in less than two years. This provides rapid turnover of funds and allows considerable flexibility in lending policies. An analysis showing the approximate maturity of receivables outstanding at August 31, 1972 is set forth in the following table:

Maturing	Cash Loans				Retail Receivables				Total	
	Small Loans		Large Loans		Conditional Sales Agreements		Revolving Credit Receivables		Amount	%
	Amount	%	Amount	%	Amount	%	Amount	%		
	(thousands of dollars)									
Within 1 year.....	\$ 423	37	\$3,022	39	\$1,477	72	\$4,939	61	\$ 9,861	52
From 1 to 2 years.....	485	43	2,267	30	438	22	2,470	30	5,660	30
From 2 to 3 years.....	135	12	1,412	18	88	4	—	—	1,635	9
From 3 to 4 years.....	—	—	533	7	5	—	—	—	538	3
From 4 to 5 years.....	—	—	99	1	1	—	—	—	100	—
Sub-total.....	\$1,043	92	\$7,333	95	\$2,009	98	\$7,409	91	\$17,794	94
Over 5 years.....	—	—	103	1	—	—	—	—	103	—
Payments in arrears....	85	8	292	4	34	2	708	9	1,119	6
TOTAL.....	\$1,128	100	\$7,728	100	\$2,043	100	\$8,117	100	\$19,016	100

Maturity of Debt

The following table sets forth the maturity of debt of Superior outstanding at August 31, 1972. The annual repayment requirements are set forth on page 20 in note 4 and on page 22 in note 8 to the Consolidated Balance Sheet:

Maturing	Demand and short term debt (including bank indebtedness)	Long term debt		Total	Percentage of total debt
		Secured	Other		
			(thousands of dollars)		
Within 1 year.....	\$8,553	\$ 390	\$863	\$ 9,806	69
From 1 to 2 years.....	—	293	135	428	3
From 2 to 3 years.....	—	417	135	552	4
From 3 to 4 years.....	—	379	135	514	4
From 4 to 5 years.....	—	380	135	515	4
Sub-total.....	\$8,553	\$1,859	\$1,403	\$11,815	84
From 6 to 10 years.....	—	1,501	371	1,872	13
Over 10 years.....	—	456	—	456	3
TOTAL.....	\$8,553	\$3,816	\$1,774	\$14,143	100

Current Position

The assets of Superior realizable within one year and the liabilities due within one year from August 31, 1972 are set forth below:

	Prior to Issue	Subsequent to issue
(thousands of dollars)		
ASSETS REALIZABLE WITHIN ONE YEAR		
Receivables (excluding arrears).....	\$ 9,861	\$9,861
Less related allowance for losses.....	132	132
	9,729	9,729
Cash on hand.....	12	12
TOTAL.....	\$ 9,741	\$9,741
LIABILITIES DUE WITHIN ONE YEAR		
Bank Indebtedness (secured).....	\$ 8,024	\$7,314
Current portion of Notes, long-term (secured).....	390	390
Subordinated Debentures, due November 30, 1972.....	728	728
Current portion of Subordinated Debentures, due May 1, 1980.....	135	135
Advances from shareholders and associates.....	529	529
	\$ 9,806	\$9,096
Accounts payable and accrued charges.....	339	339
Income taxes payable—current.....	48	48
TOTAL.....	\$10,193	\$9,483

The Receivables include approximately \$1,103,000 of unearned finance charges.

As shown on the above table, on August 31, 1972, the liabilities of Superior due within one year exceeded its assets realizable within one year by \$452,000. This was primarily because a high proportion of Superior's total indebtedness is short term bank indebtedness. Reference is made to "Bank Line of Credit" below. After giving effect to this issue, the assets of Superior realizable within one year will, as at August 31, 1972, exceed its liabilities due within one year.

Earnings Tests

EARNINGS AVAILABLE FOR INTEREST ON SECURED AND UNSECURED DEBT

Consolidated net earnings for year ended December 31, 1971.....	\$ 547,760
Add: Income taxes of the Company.....	75,500
Interest on secured and unsecured debt.....	807,244
	<u>\$1,430,504</u>
Ratio of available earnings to interest on secured and unsecured debt.....	<u>1.77:1</u>

PRO FORMA NET EARNINGS AVAILABLE FOR CLASS A SHARES, CLASS B SHARES AND COMMON SHARES(1)

Consolidated net earnings for year ended December 31, 1971 available for Class A Shares, Class B Shares and Common Shares (after deducting dividends on preference shares).....	\$ 480,940
Add dividends paid in 1971 on preference shares which have been purchased for cancellation.....	66,820
	<u>\$ 547,760</u>
Deduct imputed increase in interest expense(2).....	20,044
Pro forma consolidated net earnings for year ended December 31, 1971.....	<u>\$ 527,716</u>

NOTE:

- (1) The payment of dividends is subject to the restriction explained under "Dividends" on page 11.
- (2) The imputed net increase in interest expense is after deduction of related income taxes and results from the purchase for cancellation of all outstanding preference shares, the receipt of \$1,080,000 from the issue of subordinated debentures due May 1, 1980, and the receipt of the proceeds of the proposed share issue.

Asset Coverage

Based on the pro forma consolidated balance sheet of Superior as at August 31, 1972 the net tangible assets were as follows:

Total assets.....	\$17,431,341
Deduct: Excess of cost of shares in subsidiaries over equity in their net assets at date of acquisition.....	\$753,838
Accounts payable and accrued charges.....	339,269
Income taxes payable.....	<u>98,086</u>
Net tangible assets before deduction of secured and unsecured debt.....	<u>\$16,240,148</u>
Deduct secured and unsecured debt.....	<u>\$13,433,869</u>
Net tangible assets.....	<u>\$ 2,806,279</u>

Net tangible assets before deduction of secured and unsecured debt are equivalent to 1.21 times the aggregate principal amount of all secured and unsecured debt of Superior to be outstanding after this financing.

Bank Line of Credit

The Company has an established bank line of credit of \$7,000,000 with a Canadian chartered bank, which has been the Company's banker since 1954. Any monies advanced pursuant to such credit are repayable upon demand and are evidenced by secured short term Notes issued pursuant to the Trust Deed referred to on page 15. The Company's policy is to reduce such advances as funds become available and to increase such advances as funds are required. This policy enables Superior to invest the maximum amount of the funds available to it in Cash Loans or Retail Receivables. Accordingly, funded indebtedness and other obligations of the Company are retired out of bank advances. On September 30, 1972 there were outstanding advances to the Company pursuant to such line of credit aggregating \$4,643,814.

Similarly, Investment has a line of credit with its banker of \$4,000,000 upon which there was outstanding on September 30, 1972 the sum of \$3,903,615.

UNDERWRITING

Pursuant to an agreement (the "Underwriting Agreement") dated November 22, 1972 between N. L. Sandler & Co. Limited (the "Underwriter"), all of the beneficial shareholders of the Company shown under "Principal and Selling Shareholders" on page 12 and the Company, the Underwriter agreed to purchase on December 14, 1972 from the Selling Shareholders the 100,000 Class A Shares offered by this prospectus for a net aggregate price of \$416,250 and from the Company the 200,000 Class A Shares offered by this prospectus for a net aggregate price of \$832,500, in each case payable in cash against delivery. The obligations of the Underwriter may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriter is obliged to purchase all of the Class A Shares offered by this prospectus if any of such shares are purchased.

The Underwriter will offer the 300,000 Class A Shares directly in the Province of Ontario and may offer such shares through the facilities of, or sell such shares to, registered dealers in the Provinces of Alberta, British Columbia, Nova Scotia, Ontario and Saskatchewan. In connection with such latter offers or sales, the Underwriter may pay commissions or give discounts not exceeding, in any event, \$.3375 per share.

USE OF PROCEEDS

The net proceeds to the Company from the sale of 200,000 of the Class A Shares offered by this prospectus, amounting to \$812,500 after deducting the estimated expenses of issue payable by the Company, will be used as additional working capital and will be initially applied to reduce bank borrowings of Superior which, at October 31, 1972, amounted to \$8,811,956. No part of the proceeds to the Selling Shareholders from the sale of the remaining 100,000 Class A Shares offered by this prospectus will be received by the Company.

DESCRIPTION OF SHARE CAPITAL OF THE COMPANY

The authorized capital of the Company is divided into 2,000,000 Class A Shares without par value, 1,000,000 Class B Shares without par value, and 100 Common Shares without par value.

The full text of the provisions attaching to the Class A Shares, the Class B Shares and the Common Shares is set forth in the Schedule of Share Provisions beginning on page 24. A brief summary is set forth below.

Dividends

The holders of the Class A Shares, the Class B Shares and the Common Shares participate equally, share for share, in any dividend declared by the Company. The holders of the Class A Shares may receive dividends declared by the Company, in whole or in part, consisting of (1) ordinary dividends, (2) dividends paid out of 1971 capital surplus on hand, or (3) dividends paid out of tax-paid undistributed surplus. To the extent that the dividends paid to the holders of the Class A Shares consist of payment by way of either methods (1) or (2) set forth above, the holders of the Class B Shares and the Common Shares will receive dividends in an amount per share equal to the amount received by the holders of the Class A Shares; to the extent that the dividends paid to the holders of the Class A Shares consist of payment by way of method (3) set forth above, the holders of the Class B Shares will receive dividends in an amount equal to the dividend paid to the holders of the Class A Shares plus the taxes paid by the Company in respect of such dividend in order to permit the payment thereof out of tax-paid undistributed surplus in accordance with the provisions of the Income Tax Act, on a share for share basis. The method employed for the payment of dividends on the Class A Shares is at the discretion of the directors but, under present income tax legislation, the Company may not pay dividends using method (2) set forth above until it has exhausted its tax-paid undistributed surplus.

To the extent that the holders of the Class A Shares receive dividends consisting of payment by way of methods (2) or (3) set forth above, except as set forth below such dividends will be received tax free in the hands of the individual holders. Any dividend paid using method (2) or (3) set forth above will reduce the adjusted cost base of the share upon which such dividend was paid by an amount equal to the amount of the dividend which will affect the amount of the capital gain (or loss) realized upon the subsequent disposition of such share. In addition, to the extent that the aggregate amount of the dividends received by the holder of a Class A Share pursuant to distribution using methods (2) or (3) exceed the adjusted cost base of the Class A Share, the amount of the excess will be deemed to be a capital gain in the year of receipt. All other dividends received by the holders of the Class A Shares and all dividends received by the holders of the Class B Shares and the Common Shares of the Company will be treated as normal dividend income for tax purposes. Holders who are individuals resident in Canada will be entitled to the dividend tax credit provisions of the Income Tax Act. Superior has, as at the date hereof, approximately \$3,000,000 of 1971 undistributed income on hand in respect of which it may create tax-paid undistributed surplus upon payment of 15% tax.

Conversion Rights

Class A Shares may be converted into Class B Shares and Class B Shares may be converted into Class A Shares at any time at the option of the respective holders thereof on a share for share basis. Upon any such conversion, the number of authorized and issued shares of the class being tendered for conversion decreases and the number of authorized and issued shares of the class into which such shares are to be converted increases, in each case by the number of shares being converted. A Bill was introduced in the House of Commons to amend the Income Tax Act by providing for the conversion of shares such as the Class A Shares and Class B Shares into one another without creating a capital gain (or loss). However, Parliament prorogued before passage of the Bill into law. It is anticipated that this provision will be re-introduced during the next session of Parliament to have retroactive effect to January 1, 1972. However, if this provision is not enacted, any conversion of these shares would be deemed to be a disposition at fair market value and any gain (or loss) arising from such deemed disposition would be taken into account in the calculation of taxable income.

Purchase

The Company may purchase all or any part of the outstanding Class A Shares or Class B Shares in the market or by invitation for tenders at the lowest price at which, in the opinion of the Directors, such shares are obtainable; the Company may purchase any of its Common Shares out of surplus in the market or by invitation for tenders at the lowest price at which, in the opinion of the Directors, such shares are obtainable.

Voting and Other Rights

Save as aforesaid, the Class A Shares, the Class B Shares and the Common Shares have and enjoy the same rights and attributes, including the same rights to subscribe for any shares or other securities of the Company offered to the holders thereof, the right to rank equally upon a winding-up or dissolution of the Company and the right to one vote per share at all meetings of shareholders of the Company.

DIVIDENDS

No dividends were paid on the Company's shares prior to November 7, 1969. The dividends or other distributions paid by the Company subsequent thereto, on a per share basis, were as follows:

Date	Amount		
	Class B Preference Shares(1)	Class A Shares	Class B Shares
November 7, 1969.....	\$5	\$.10(2)	
December 31, 1970.....	5	.20(2)	
May 6, 1971.....	5		
December 23, 1971.....		.22(3)(4)(5)	\$.26(2)
June 30, 1972.....	5	.085(4)(5)	.10(6)
October 13, 1972.....		.0425(4)(5)	.05(6)

NOTE

- (1) All Class B Preference Shares of the Company were purchased for cancellation prior to the date hereof.
- (2) At the date these dividends were paid the shares were called common shares.
- (3) This dividend was paid by means of a stock dividend in preference shares of the Company which were subsequently redeemed.
- (4) These dividends were paid after payment by the Company of the taxes necessary in order to permit them to be received tax-free.
- (5) At the date these dividends were paid, these shares were called Class C Special Shares.
- (6) At the date these dividends were paid, these shares were called Class D Special Shares.

Policy

It is the present intention of the directors of the Company to establish a policy with respect to the payment of dividends on the Class A Shares and the Class B Shares which initially would not exceed 16¢ per share annually. Any payment of dividends will nevertheless be within the discretion of the directors, having regard to the best interests of the Company under the circumstances existing at the time. This policy will also be subject to a restriction contained in the Trust Deed, referred to under "Assets Subject to Trust Indentures" on page 15, which provides, in effect, that the Company may not have net outgoings on account of dividends (other than stock dividends), stock redemptions (including purchases for cancellation or other retirement), principal payments on the Subordinated Debentures, due 1980 or other distributions in respect thereof in excess of the aggregate of (a) 75% of the Consolidated Net Earnings (as that term is defined in the Trust Deed) during the period subsequent to December 31, 1970, taken as one accounting period plus (b) \$125,000. As at August 31, 1972, the amount permitted to be distributed by the Company in accordance with the Trust Deed was approximately \$122,000.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth all shareholders who have agreed to sell shares pursuant to the Underwriting Agreement referred to under "Underwriting" on page 10 (the "Selling Shareholders") and each shareholder of the Company who owns of record or is known to the Company to own beneficially, either directly or indirectly, 10% or more of any class of equity shares of the Company as at September 30, 1972 and also indicates the number of shares of each such class which will be held by them on completion of the sale of the shares offered by this prospectus.⁽¹⁾

Name and Address	Designation of Class	Type of Ownership	September 30, 1972		Following completion of the sale contemplated hereby		
			No. of shares owned	Percentage of Class(2)	No. of shares sold	No. of shares owned	Percentage of Class(2)
Abe Posluns, 625 Avenue Road, Toronto, Ontario	Class A Shares	Of record and beneficial Beneficial	104,024 3	10%	50,002	54,025	4.4%
Alan Posluns, 10 Benvenuto Place, Toronto, Ontario	Class A Shares	Of record and beneficial	208,054	20%	—	208,054	16.8%
Elsie Posluns, Sam Ruth and Alan Posluns, Trustees of The Alan Posluns Trust, 625 Avenue Road, Toronto, Ontario	Class A Shares	Of record and beneficial	16,666	1 $\frac{2}{3}$ %	16,666	—	—
	Class B Shares	Of record and beneficial	52,685 $\frac{1}{3}$	5%	—	52,685 $\frac{1}{3}$	4.2%
Elsie Posluns, Sam Ruth and Alan Posluns, Trustees of The Dorothy Brown Trust, 625 Avenue Road, Toronto, Ontario	Class A Shares	Of record and beneficial	16,666	1 $\frac{2}{3}$ %	16,666	—	—
	Class B Shares	Of record and beneficial	52,685 $\frac{1}{3}$	5%	—	52,685 $\frac{1}{3}$	4.2%
Elsie Posluns, Sam Ruth and Alan Posluns, Trustees of The Richard Posluns Trust, 625 Avenue Road, Toronto, Ontario	Class A Shares	Of record and beneficial	16,666	1 $\frac{2}{3}$ %	16,666	—	—
	Class B Shares	Of record and beneficial	52,685 $\frac{1}{3}$	5%	—	52,685 $\frac{1}{3}$	4.2%
Abe Posluns, Dorothy Brown and Richard Posluns, Trustees of The Second Alan Posluns Trust, 625 Avenue Road, Toronto, Ontario	Class B Shares	Of record and beneficial Beneficial	69,351 $\frac{1}{3}$ 104,027	6 $\frac{2}{3}$ % 10%	— —	69,351 $\frac{1}{3}$ 104,027	5.6% 8.4%
Abe Posluns, Alan Posluns and Richard Posluns, Trustees of The Second Dorothy Brown Trust, 625 Avenue Road, Toronto, Ontario	Class B Shares	Of record and beneficial Beneficial	69,351 $\frac{1}{3}$ 104,027	6 $\frac{2}{3}$ % 10%	— —	69,351 $\frac{1}{3}$ 104,027	5.6% 8.4%
Abe Posluns, Alan Posluns and Dorothy Brown, Trustees of The Second Richard Posluns Trust, 625 Avenue Road, Toronto, Ontario	Class B Shares	Of record and beneficial Beneficial	69,351 $\frac{1}{3}$ 104,027	6 $\frac{2}{3}$ % 10%	— —	69,351 $\frac{1}{3}$ 104,027	5.6% 8.4%
Samuel Posluns, (3) 10 Benvenuto Place, Toronto, Ontario	Class B Shares	Of record	208,054	20%	—	208,054	16.8%
Avrum Posluns, (3) 44 Charles Street West, Toronto, Ontario	Class B Shares	Of record	104,027	10%	—	104,027	8.4%

(1) This table gives effect to the purchase for cancellation of all outstanding preference shares of the Company on October 4, 1972 for the sum of \$50,400, the conversion of 49,998 Class D Special Shares (now Class B Shares) into 49,998 Class C Special Shares (now Class A Shares) on October 23, 1972 and the receipt of Articles of Amendment by the Company dated November 14, 1972.

- (2) Because the Class A Shares and the Class B Shares are identical in all respects except for the method of payment of dividends as described under "Description of Share Capital of the Company" on page 10, the percentages shown reflect, in each case, the percentage of the Class A and Class B Shares as though they were a single class.
- (3) The Second Alan Posluns Trust, The Second Dorothy Brown Trust and The Second Richard Posluns Trust purchased the shares formerly owned by Samuel Posluns and Avrum Posluns, but the latter remain as registered shareholders pursuant to security arrangements described under "Pledged Shares" below.

Abe Posluns is the father of Alan Posluns, Richard Posluns and Dorothy Brown, the principal beneficiaries of the aforementioned trusts which bear their names. Elsie Posluns is the wife of Abe Posluns. Richard Posluns is a partner in the firm of Goodman and Carr, Counsel for the Company and for the Selling Shareholders.

The percentage of Class A and Class B Shares of the Company beneficially owned directly or indirectly by all directors and senior officers of the Company as a group on September 30, 1972, after giving effect to the sale of the Class A Shares offered hereby, was as follows:

<u>Designation of Class</u>	<u>Percentage</u>
Class A and Class B Shares	57.5%

Pursuant to an agreement (the "Voting Agreement") dated November 22, 1972, between Abe Posluns, Alan Posluns, Dorothy Brown, Richard Posluns, The Alan Posluns Trust, The Second Alan Posluns Trust, The Dorothy Brown Trust, The Second Dorothy Brown Trust, The Richard Posluns Trust and The Second Richard Posluns Trust, the parties thereto have agreed that all shares of the Company held by them are to be voted *en bloc* in accordance with the direction of certain combinations of Abe Posluns, Alan Posluns, Dorothy Brown and Richard Posluns or their personal representatives depending upon the circumstances existing from time to time. The parties have further agreed that if any of them wishes to sell his or her shares, they will first offer such shares to the other parties pro rata in accordance with the number of shares of the Company then held by them at the then current market price. The Voting Agreement is to terminate in November, 1999, or upon the death of the last to die of Alan Posluns, Dorothy Brown and Richard Posluns, whichever event shall first occur.

From time to time certain of the shareholders of the Company referred to above lend moneys to the Company repayable on demand with interest at a rate equal to one percentage point over the current bank interest rate payable by the Company.

PLEDGED SHARES

The following table sets forth the number of shares which, to the knowledge of the Company, were held in escrow on September 30, 1972:

<u>Designation of Class</u>	<u>Number of Shares held in escrow</u>	<u>Percentage of Class</u>
Class B Shares	312,081	30%(1)

(1) See note (2) above.

The beneficiaries of The Second Alan Posluns Trust, The Second Dorothy Brown Trust and The Second Richard Posluns Trust are the beneficial owners of the 312,081 Class B Shares (the "Pledged Shares") referred to above. These shares were purchased subject to a pledge in favour of Samuel Posluns and Avrum Posluns (the "Vendors") and are held in escrow by The Canada Trust Company, Toronto, Ontario, pursuant to a letter agreement dated May 12, 1967.

The Pledged Shares are to be released upon payment in full to the Vendors of the balance of the purchase price payable to them plus accrued interest. The balance outstanding as at September 30, 1972 is \$648,251 and is payable in 80 consecutive monthly instalments of \$10,231 each, which instalments include interest upon the unpaid balance calculated at the rate of 7% per annum. In the event of default in the payment of any instalment, if such default is not cured within 30 days after receipt of written notice of such default, the whole of the unpaid balance of the purchase price plus accrued interest becomes due and payable, and if such balance is not paid within a further period of 14 days, the Pledged Shares are to be delivered to the Vendors.

The voting rights with respect to the Pledged Shares are exercisable in accordance with the Voting Agreement, referred to above, so long as there is no default in the payment of any instalment due to the Vendors.

MANAGEMENT OF THE COMPANY

The names, home addresses and positions held with the Company of the directors and officers of the Company are set forth below:

ABE POSLUNS.....	625 Avenue Road	Chairman of the Board and Director Toronto, Ontario
ALAN IRWIN POSLUNS.....	10 Benvenuto Place.....	President and Director Toronto, Ontario
RICHARD WILFRID JOEL POSLUNS.....	10 Foursome Crescent.....	Secretary and Director Willowdale, Ontario
DR. ALAN SELWYN BROWN.....	34 Suncrest Drive.....	Director Willowdale, Ontario
DONALD CARR, Q.C.....	35 Avenal Drive.....	Director Toronto, Ontario
NORMAN WILLIAM ARNOLD.....	50 Tinder Crescent.....	Vice-President Toronto, Ontario
RICHARD JACK BURGHARDT, C.A.....	38 Greendowns Drive	Treasurer Scarborough, Ontario

Abe Posluns has been a director of Credit since 1949, has been a director of the Company and its subsidiaries since 1960 and was the President of the Company and its subsidiaries from 1960 until June, 1969, when he became Chairman of the Board.

Alan Irwin Posluns has been associated with Superior since 1953 and has been a director of the Company since August, 1964. He was the Secretary of the Company from 1960 until 1965, the Secretary-Treasurer of the Company from 1965 until January, 1968, and the Vice-President of the Company from January, 1968 until June, 1969, when he became President of the Company.

Richard Wilfrid Joel Posluns has been a partner in the law firm of Goodman and Carr since March, 1969, and has been associated with that firm since 1965. In June, 1969 he became a director and Secretary of the Company.

Dr. Alan Selwyn Brown has been an oral surgeon in private practice since 1958 and is the son-in-law of Abe Posluns.

Donald Carr has been a partner in the law firm of Goodman and Carr since its inception in 1965. In November, 1972 he became a director of the Company.

Norman William Arnold has been associated with Superior since 1953 and was Treasurer of Credit from 1954 until 1959. He has acted in various capacities with the Company and its subsidiaries and has supervised the lending operations of the Company and its subsidiaries for approximately 18 years. He was Executive Vice-President of the Company and its subsidiaries from 1960 until June, 1969, when he became Vice-President of the Company and its subsidiaries.

Richard Jack Burghardt, C.A., has been associated with the Company since 1960 as accountant and later as comptroller. He was Secretary-Treasurer of the Company from January 1968 until June, 1969, when he became Treasurer of the Company.

Pursuant to the Voting Agreement referred to under "Principal and Selling Shareholders" on page 12, all the directors are nominees of the parties to that agreement.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The amount of the aggregate direct remuneration paid or payable by Superior to the directors and senior officers of the Company during its last financial year ended December 31, 1971 was \$179,147 and during the 9 month period ended September 30, 1972 was \$133,500.

Pursuant to Note Purchase Agreements between the Company and the holders of the Notes, Series A to G, inclusive, issued pursuant to the Trust Deed referred to under "Assets Subject to Trust Indentures" on page 15, Superior may not

make any payment as remuneration for services to Abe Posluns, Alan Posluns or any person who is a member of the Stockholding Group (as that term is defined in the Trust Deed) if the aggregate amount of all such payments by Superior in any year would exceed the lesser of (i) \$200,000 or (ii) 12% of the gross operating revenues for such year.

The estimated aggregate cost to Superior, for the financial year ended December 31, 1971, of all pension benefits to be paid to the directors and senior officers of the Company under the normal pension plan in the event of retirement at normal retirement age was \$522.

EMPLOYEES' STOCK OPTIONS

On November 22, 1972 the board of directors of the Company adopted an employee stock option plan, pursuant to which options to purchase 10,000 Class A Shares of the Company may be granted bona fide full-time officers and employees of the Company. No options under such plan have been or will be granted to any directors or to any senior officers of the Company other than the Treasurer, the Vice-President and a supervisor of the Company.

Under the said plan, the board of directors has authorized the granting of options to purchase 8,000 of the said Class A Shares to 7 employees of the Company. All of the said options are exercisable at \$4.50 per Class A Share and expire on November 22, 1978. At the date of the authorization of such options the Class A Shares of the Company were not traded in the market; however, the option price is the same as the sale price of the Class A Shares offered hereby. 8,000 Class A Shares have been reserved for issue pursuant to these options.

ASSETS SUBJECT TO TRUST INDENTURES

Pursuant to the provisions of a Deed of Trust made as of November 15, 1960 between the Company and National Trust Company, Limited, as Trustee, as amended and supplemented from time to time (the "Trust Deed"), the Company has issued Notes as set forth under "Capitalization" on page 4. The Notes are all equally secured under the Trust Deed by a first fixed and specific mortgage and charge of and upon the Receivables of the Company (as that term is defined in the Trust Deed) in an amount equal to at least 115% of the aggregate principal amount of all Senior Debt (as that term is defined in the Trust Deed) at the time outstanding and by a first floating charge on all receivables of the Company. The Trustee has been appointed under the Trust Deed as a depositary for the Receivables which are from time to time subject to the specific charge of the Trust Deed. As depositary, it holds the Receivables so pledged at its head office at 21 King Street East in the City of Toronto.

As further security for the Notes issued by the Company pursuant to the Trust Deed, Finance has executed an Indenture of Guarantee ("Guarantee Agreement") made as of November 15, 1960, between Finance and National Trust Company, Limited, as Trustee, by the terms of which Finance guarantees payment of all the Notes issued under the Trust Deed. This guarantee is secured by a first fixed and specific mortgage and charge of and upon the Receivables of Finance (as that term is defined in the Guarantee Agreement) and by a first floating charge on all receivables of Finance. The same provisions with respect to the appointment of the Trustee as depositary and the holding of Receivables apply as are described with respect to the Trust Deed.

As further security for the Notes issued by the Company pursuant to the Trust Deed, the Company has assigned to National Trust Company, Limited, as Trustee, under the Trust Deed, as and by way of a first fixed and specific mortgage all of the right, title, interest and benefit of the Company in an agreement (the "Inter-Company Loan Agreement") between the Company, Credit and Finance made as of November 15, 1960. By the terms of the Inter-Company Loan Agreement, Credit assigned all of its Receivables (as that term is defined therein) as collateral security for loans made or to be made by the Company to Credit. The Inter-Company Loan Agreement further provides that the Company may, in turn, assign and deliver the Receivables of Credit to the Trustee and the Trustee is to hold the Receivables as Depositary in the same manner as provided in the Trust Deed.

As further security for the Notes issued by the Company pursuant to the Trust Deed, the Company has assigned to National Trust Company, Limited, as Trustee, under the Trust Deed, as and by way of a first fixed and specific mortgage all of the right, title, interest and benefit of the Company in an agreement (the "Alberta Agreement") between the Company and Alberta made as of August 29, 1969. By the terms of the Alberta Agreement, Alberta assigned all of its Receivables (as that term is defined therein) as collateral security for loans made or to be made by the Company to Alberta. The Alberta Agreement further provides that the Company may, in turn, assign and deliver the Receivables of Alberta to the Trustee and the Trustee is to hold the Receivables as Depositary in the same manner as provided in the Trust Deed.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, Royal Trust Tower, Toronto Dominion Centre, Toronto, Ontario and Messrs. Perlmutter, Orenstein, Giddens, Newman & Co., Chartered Accountants, 121 Richmond Street West, Toronto, Ontario.

The Transfer Agent and Registrar with respect to the Class A Shares and Class B Shares of the Company is Guaranty Trust Company at its principal offices in Toronto and Regina.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Company or its subsidiaries within the 2 years prior to the date of this prospectus are the following:

- (a) Underwriting Agreement referred to under “Underwriting” on page 10.
- (b) Trust Deed referred to under “Assets Subject to Trust Indentures” on page 15 and under “Capitalization” on page 4 including Indentures supplemental thereto between the same parties dated April 1, 1963, January 1, 1965, January 1, 1966, August 1, 1967, November 1, 1971 and August 1, 1972 providing for the issue of the Notes, Series B, the Notes, Series C, the Notes, Series D, the Notes, Series E, the Notes, Series F and the Notes, Series G, respectively, and seven agreements relating to the purchase of the respective series of the Notes.
- (c) Inter-Company Loan Agreement referred to under “Assets Subject to Trust Indentures” on page 15.
- (d) Alberta Agreement referred to under “Assets Subject to Trust Indentures” on page 15.

Copies of the foregoing contracts may be examined at the head office of the Company during the period of distribution of the securities offered hereby and for a period of 30 days thereafter.

Auditors' Reports

To the Board of Directors,

SUPERIOR ACCEPTANCE CORPORATION LIMITED:

We have examined the consolidated balance sheet of Superior Acceptance Corporation Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of earnings and retained earnings for the three years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet presents fairly the consolidated financial position of the companies as at December 31, 1971 and the accompanying consolidated statements of earnings and retained earnings present fairly the results of their operations for the three years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants

Toronto, Canada
November 22, 1972

(Signed) PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & Co.
Chartered Accountants

To the Board of Directors,

SUPERIOR ACCEPTANCE CORPORATION LIMITED:

We have examined the accompanying consolidated statements of earnings and retained earnings of Superior Acceptance Corporation Limited and its subsidiaries for the two years ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the results of operations of the companies for the two years ended December 31, 1968 in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
November 22, 1972

(Signed) PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & Co.
Chartered Accountants

SUPERIOR ACCEPTANCE CORPORATION LIMITED

(Incorporated under the laws of Ontario)
and its subsidiaries

Consolidated Balance Sheets and Pro Forma Consolidated Balance Sheet

ASSETS

	December 31, 1971	August 31, 1972 (unaudited)	Pro Forma August 31, 1972 (note 1) (unaudited)
Loans and accounts receivable (including approximately \$10,273,000 at December 31, 1971 and \$9,861,000 at August 31, 1972 due within one year):			
Cash loans.....	\$ 9,160,854	\$ 8,856,012	\$ 8,856,012
Retail receivables.....	10,253,676	10,160,043	10,160,043
	<u>19,414,530</u>	<u>19,016,055</u>	<u>19,016,055</u>
Allowance for losses.....	(701,009)	(678,009)	(678,009)
Unearned finance charges (note 2).....	(1,958,145)	(1,886,822)	(1,886,822)
	<u>16,755,376</u>	<u>16,451,224</u>	<u>16,451,224</u>
Cash.....	11,975	12,300	12,300
Sundry accounts receivable and prepaid expenses.....	68,763	48,546	48,546
Income taxes recoverable.....	107,681	—	—
Furniture, equipment, automobiles and leasehold improvements at cost less accumulated depreciation and amortization of \$329,843 at December 31, 1971 and \$344,257 at August 31, 1972.....	160,070	165,433	165,433
Excess of cost of shares in subsidiaries over equity in their net assets at date of acquisition.....	753,838	753,838	753,838
	<u>\$17,857,703</u>	<u>\$17,431,341</u>	<u>\$17,431,341</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Loans payable:			
Secured bank indebtedness (note 3).....	\$ 8,882,941	\$ 8,024,387	\$ 7,314,300
Secured long-term notes payable including \$390,000 at December 31, 1971 and at August 31, 1972 due within one year (notes 3 and 4).....	3,332,387	3,816,152	3,816,152
Subordinated debentures 6 $\frac{7}{8}$ % due November 30, 1972.....	728,000	728,000	728,000
Subordinated debentures due May 1, 1980 including \$135,000 due within one year (notes 5 and 8).....	—	1,046,250	1,046,250
Advances from shareholders and associates (note 6).....	822,391	529,167	529,167
	<u>13,765,719</u>	<u>14,143,956</u>	<u>13,433,869</u>
Accounts payable and accrued charges.....	239,477	339,269	339,269
Income taxes payable—current.....	—	48,886	48,886
—deferred.....	59,500	49,200	49,200
	<u>59,500</u>	<u>98,086</u>	<u>98,086</u>
Total liabilities.....	<u>14,064,696</u>	<u>14,581,311</u>	<u>13,871,224</u>
Shareholders' equity:			
Capital stock (notes 5 and 7).....	1,395,010	199,010	981,110
Retained earnings (note 5).....	2,397,997	2,651,020	2,579,007
	<u>3,793,007</u>	<u>2,850,030</u>	<u>3,560,117</u>
	<u>\$17,857,703</u>	<u>\$17,431,341</u>	<u>\$17,431,341</u>

On behalf of the Board:

(Signed) ABE POSLUNS, Director

(Signed) ALAN I. POSLUNS, Director

See accompanying notes

SUPERIOR ACCEPTANCE CORPORATION LIMITED
and its subsidiaries

Consolidated Statements of Earnings and Retained Earnings

	Year ended December 31					Eight months ended August 31	
	1967	1968	1969	1970	1971	1971 (unaudited)	1972 (unaudited)
Earnings							
Gross income (note 2).....	\$2,890,648	\$3,230,481	\$3,634,474	\$3,749,682	\$3,768,297	\$2,393,977	\$2,667,421
Earnings before the under- noted items.....	\$1,494,847	\$1,828,450	\$2,093,007	\$2,185,950	\$2,069,563	\$1,267,607	\$1,410,917
Interest—long term debt....	283,436	281,480	251,510	219,857	201,284	129,608	224,055
—other.....	405,193	519,190	691,123	738,449	605,960	401,688	405,024
Provision for losses on col- lection of receivables....	213,850	187,812	189,777	247,995	118,255	61,323	75,605
Depreciation and amortiza- tion.....	45,703	41,514	47,754	46,368	45,504	27,656	28,844
	948,182	1,029,996	1,180,164	1,252,669	971,003	620,275	733,528
Earnings before income taxes	546,665	798,454	912,843	933,281	1,098,560	647,332	677,389
Income taxes—current.....	274,527	412,284	479,820	493,200	500,500	294,022	328,119
—deferred.....	—	—	—	9,200	50,300	36,200	(10,300)
	274,527	412,284	479,820	502,400	550,800	330,222	317,819
Net earnings.....	\$ 272,138	\$ 386,170	\$ 433,023	\$ 430,881	\$ 547,760	\$ 317,110	\$ 359,570
Earnings per share (note 10)							
—basic.....	<u>\$.26</u>	<u>\$.37</u>	<u>\$.35</u>	<u>\$.35</u>	<u>\$.46</u>	<u>\$.26</u>	<u>\$.34</u>
—pro forma.....					<u>\$.43</u>	<u>\$.24</u>	<u>\$.29</u>
Retained Earnings							
Balance—beginning of period	\$1,131,495	\$1,403,633	\$1,789,803	\$2,031,638	\$2,187,645	\$2,187,645	\$2,397,997
Net earnings.....	272,138	386,170	433,023	430,881	547,760	317,110	359,570
	1,403,633	1,789,803	2,222,826	2,462,519	2,735,405	2,504,755	2,757,567
Dividends paid							
Cash—Preference shares.....	—	—	66,820	66,820	66,820	66,820	2,520
—Common shares (now Class B Shares).....	—	—	104,027	208,054	189,412	—	—
—Class C special shares (now Class A Shares), including tax thereon.	—	—	—	—	—	—	31,208
—Class D special shares (now Class B Shares)	—	—	—	—	—	—	72,819
Stock—Class C special shares (now Class A Shares), including tax thereon.	—	—	—	—	81,176	—	—
	—	—	170,847	274,874	337,408	66,820	106,547
Expenses (less applicable taxes) of proposed share issue.....	—	—	20,341	—	—	—	—
	—	—	191,188	274,874	337,408	66,820	106,547
Balance—end of period.....	<u>\$1,403,633</u>	<u>\$1,789,803</u>	<u>\$2,031,638</u>	<u>\$2,187,645</u>	<u>\$2,397,997</u>	<u>\$2,437,935</u>	<u>\$2,651,020</u>

See accompanying notes

SUPERIOR ACCEPTANCE CORPORATION LIMITED
and its subsidiaries

Notes to Consolidated Financial Statements

(Information as at August 31, 1972 and for the eight months then ended is unaudited)

1. Pro Forma consolidated balance sheet

The pro forma consolidated balance sheet gives effect as at August 31, 1972 to the following:

- (a) The purchase for cancellation on October 4, 1972 of the 504 outstanding Class B preference shares at their par value of \$50,400;
- (b) The payment of cash dividends as of October 13, 1972 in the amount of \$52,013;
- (c) The conversion of 49,998 Class D special shares (now Class B shares) into 49,998 Class C special shares (now Class A shares);
- (d) The receipt of Articles of Amendment dated November 14, 1972 which changed the share capital as set forth in Note 7;
- (e) The issue and sale to underwriters pursuant to an underwriting agreement dated November 22, 1972 of 200,000 Class A shares for an aggregate consideration of \$832,500;
- (f) Payment of the company's share of the issue expenses estimated at \$20,000 (charged to retained earnings).

2. Basis of recognition of income

Income is taken into account on the following bases:

Small Loans—Interest is taken into income as collected.

Large Loans and Conditional Sales Agreements—No amount is taken into income at the time of making the loan or acquiring the Conditional Sales Agreement. Finance charges are taken into income as earned over the term of such loan or such Conditional Sales Agreement, employing the sum of the digits method.

Revolving Credit Receivables—Receivables are acquired from department stores at face value less a commission, which is taken into income at the time the receivable is acquired. The accounts are then billed each month and a monthly service charge is applied based upon the unpaid balance at the end of the previous month; this service charge is taken into income as billed.

3. Assets pledged

Substantially all of the assets of the company and its subsidiaries are pledged to secure bank indebtedness and the long term notes payable.

4. Long term notes payable

	Annual repayment requirement	Principal amount outstanding			
		December 31, 1971		August 31, 1972	
		\$ U.S.	\$ U.S.	\$ U.S.	\$ Canadian
Series "A" 7% due November 15, 1972.....	\$100,000	\$ 100,000	\$ 97,750	\$ 100,000	\$ 97,750
Series "B" 6¼ % due April 15, 1975.....	100,000	400,000	430,250	300,000	322,687
Series "C" 6½ % due December 15, 1979.....	83,000	667,000	715,983	667,000	715,983
Series "D" 6¼ % due January 15, 1978.....	50,000	350,000	375,922	300,000	322,219
Series "E" 7¼ % due August 15, 1982.....	38,500	423,000	459,748	384,500	417,904
Series "F" 10% due December 1, 1984.....	*	1,250,000	1,252,734	1,250,000	1,252,734
Series "G" 9% due August 15, 1985.....	**			700,000	686,875
		<u>\$ 3,190,000</u>	<u>\$ 3,332,387</u>	<u>\$ 3,701,500</u>	<u>\$ 3,816,152</u>

*Repayment of the Series "F" note commences December 1, 1975 at the rate of \$125,000 per year.

**Repayment of the Series "G" note commences August 15, 1976 at the rate of \$70,000 per year.

The notes are payable in United States dollars and are recorded at the Canadian dollar equivalent of the funds received at the dates of issue.

5. Retained earnings and restrictions on distributions

After payment of the October 13, 1972 dividend referred to in note 1 (b), Superior Acceptance Corporation Limited and its subsidiaries have approximately \$3,000,000 of 1971 undistributed income on hand in respect of which they may create tax paid undistributed surplus on payment of 15% tax.

The Trust Deed covering the long term notes payable imposes certain restrictions on distributions by way of dividends, stock redemptions and redemption of the subordinated debentures due May 1, 1980. At December 31, 1971 the amount available for future distributions was approximately \$108,000 and at August 31, 1972, approximately \$122,000.

6. Advances from shareholders and associates

It is the companies' policy to pay interest on advances made by shareholders and associates at 1 percentage point over current bank interest rates paid by Superior Acceptance Corporation Limited. These advances are repayable on demand.

7. Share capital

The authorized and issued share capital of the company is as summarized below:

	Number Authorized	Issued	
		Number	Amount
December 31, 1971:			
Class A preference shares, par value \$10 each, issuable in series.....	500,000	—	—
Class B 5 % non-cumulative preference shares, par value \$100 each, redeemable at \$110	13,410	12,464	\$1,246,400
Class C special shares without par value.....	312,081	312,081	44,583
Common shares without par value.....	2,687,919	728,189	104,027
			<u>\$1,395,010</u>
August 31, 1972:			
Balance sheet—			
Class A preference shares, par value \$10 each, issuable in series.....	500,000	—	—
Class B 5 % non-cumulative preference shares, par value \$100 each, redeemable at \$110	1,450	504	\$ 50,400
Class C special shares without par value.....	312,081	312,081	44,583
Class D special shares without par value.....	728,189	728,189	104,027
Common shares without par value.....	1,959,730	Nil	—
			<u>\$ 199,010</u>
Pro forma balance sheet—			
Class A fully participating shares without par value.....	2,000,000	562,079	\$ 884,225
Class B fully participating shares without par value.....	1,000,000	678,191	96,885
Common shares without par value.....	100	Nil	—
			<u>\$ 981,110</u>

Between December 31, 1971 and August 31, 1972 the following changes took place:

- (a) 11,960 Class B preference shares were purchased for cancellation at their par value of \$1,196,000 (of which \$1,080,000 was returned to the Company in exchange for an equivalent dollar value of subordinated debentures due May 1, 1980).
- (b) The Company received Articles of Amendment dated June 8, 1972 which:
 - (i) reclassified the issued common shares as Class D Special Shares;
 - (ii) established the authorized capital at the amounts indicated in the above table for the August 31, 1972 balance sheet;
 - (iii) made the Class C and Class D Special Shares intra-convertible on a share for share basis, with dividend rights similar to those outlined below for the Class A and Class B Shares.

The pro forma balance sheet reflects the following changes in capital subsequent to August 31, 1972:

- (a) The purchase for cancellation of 504 issued Class B preference shares at their par value of \$50,400 in October 1972;
- (b) The conversion of 49,998 Class D Special Shares into 49,998 Class C Special Shares in October 1972;
- (c) The issue of Articles of Amendment dated November 14, 1972, which:
 - (i) cancelled all remaining authorized preference share capital;
 - (ii) reduced the authorized common share capital to 100 shares without par value;
 - (iii) redesignated the Class C Special Shares as Class A Fully Participating Shares with an authorized total of 2,000,000 shares;
 - (iv) redesignated the Class D Special Shares as Class B Fully Participating Shares with an authorized total of 1,000,000 shares.
- (d) The proposed issue of 200,000 Class A Shares for a net consideration of \$832,500.

The holders of the Class A Shares, the Class B Shares and the Common Shares participate equally, share for share, in any dividend declared by the Company. The holders of the Class A Shares may receive dividends declared by the Company, in whole or in part, consisting of (1) ordinary dividends, (2) dividends paid out of 1971 capital surplus on hand, or (3) dividends paid out of tax-paid undistributed surplus. To the extent that the dividends paid to the holders of the Class A Shares consist of payment by way of either methods (1) or (2), the holders of the Class B Shares and the Common Shares will receive dividends in an amount per share equal to the amount received by the holders of the Class A Shares; to the extent that the dividends paid to the holders of the Class A Shares consist of payment by way of method (3), the holders of the Class B Shares will receive dividends in an amount equal to the dividend paid to the holders of the Class A Shares plus the taxes paid by the Company in respect of such dividend in order to permit the payment thereof out of tax-paid undistributed surplus in accordance with the provisions of the Income Tax Act, on a share for share basis. The method employed for the payment of dividends on the Class A Shares is at the discretion of the directors but, under present income tax legislation, the Company may not pay tax-free dividends using method (2) set forth above until it has exhausted its tax-paid undistributed surplus. Any dividend paid using method (2) or (3) set forth above will reduce the holder's adjusted cost base of the share upon which such dividend was paid by an amount equal to the amount of the dividend.

Class A Shares may be converted into Class B Shares and Class B Shares may be converted into Class A Shares at any time at the option of the respective holders thereof on a share for share basis.

8. Subordinated Debentures due May 1, 1980

Interest on the subordinated debentures due May 1, 1980 is payable at 1 percentage point over current bank interest rates paid by Superior Acceptance Corporation Limited. These debentures are repayable in quarterly instalments aggregating \$135,000 per year.

9. Lease commitments

The approximate rental commitments, under existing leases, for each of the next five years are as follows:

<u>December 31</u>		<u>August 31</u>	
1972.....	\$80,944	1973.....	\$83,695
1973.....	71,367	1974.....	69,951
1974.....	55,897	1975.....	58,337
1975.....	47,222	1976.....	48,813
1976.....	36,408	1977.....	36,256

It is expected that in the normal course of operations expiring leases will be extended or replaced.

10. Earnings per share

- (a) The basic earnings per share were calculated after making a deduction for dividends declared on the non-cumulative preference shares during the period and are based on the average number of Special and Common shares outstanding during such period (all of which were entitled to participate equally in dividends).

The 1967 and 1968 earnings per share give retroactive effect to a subdivision of Special and Common shares made in 1969.

Had a dividend been declared on the preference shares outstanding in 1967 and 1968 (as was done in 1969, 1970 and 1971) the basic earnings per share for these years would have been \$0.20 and \$0.31 respectively. Similarly, if provision were made (on a pro rata time basis) for dividends on preferred shares outstanding during the eight months ended August 31, 1972, the basic earnings per share for that period would have been \$0.30.

- (b) The pro forma earnings per share for the year ended December 31, 1971, and the eight month periods ended August 31, 1971 and 1972 have been calculated based on the total Class A and Class B Shares (1,240,270) to be outstanding after the proposed issue of shares mentioned in note 1(c), using the reported net income for such periods plus or minus appropriate adjustments for (i) imputed changes in interest expense (less related income taxes) resulting from the purchase for cancellation of all outstanding preference shares, the receipt of \$1,080,000 from the issue of subordinated debentures due May 1, 1980, and the receipt of the proceeds of the proposed share issue and (ii) the elimination of the dividend on the preference shares.

11. Stock options

On November 22, 1972 the board of directors of the Company adopted an employee stock option plan, pursuant to which options to purchase 10,000 Class A Shares of the Company may be granted to bona fide full-time officers and employees of the Company. Under the said plan, the board of directors has authorized the granting of options to purchase 8,000 of the said Class A Shares to 7 employees of the Company. These options are exercisable at the rate of 20% per year commencing November 22, 1973 at \$4.50 per Class A Share and expire on November 22, 1978.

8,000 Class A Shares have been reserved for issue pursuant to these options.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part VII of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan) and Part VII of The Securities Act (Ontario) and by the respective regulations made under these Acts.

November 22, 1972.

(Signed) ABE POSLUNS
Chief Executive Officer

(Signed) R. J. BURGHARDT
Chief Financial Officer

On behalf of the Board of Directors

(Signed) ALAN I. POSLUNS
Director

(Signed) ALAN BROWN
Director

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part VII of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan) and Part VII of The Securities Act (Ontario) and by the respective regulations made under these Acts.

November 22, 1972

N. L. SANDLER & CO. LIMITED
by: (Signed) N. L. SANDLER

The following includes the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of N. L. Sandler & Co. Limited: Nathan L. Sandler, Monte C. Beder, Paul J. Schrieder, Robert A. Beder, John L. Humphreys, Stephen L. Sandler, Hugh L. Coulson, Myron Gottlieb and J. Ronald Woods.

SCHEDULE OF SHARE PROVISIONS

(1) Subject to paragraph (2) hereof, the Class A Shares, the Class B Shares and the Common Shares without par value shall participate equally as to dividends and all dividends which the directors may determine to declare and pay in any fiscal year of the Corporation shall be declared and paid in equal or equivalent amounts per share on all the Class A Shares, all the Class B Shares and all the Common Shares at the time outstanding without preference or distinction. The directors may in declaring any or all such dividends on the Class A Shares, the Class B Shares and the Common Shares provide for payment thereof in whole or in part in the manner set out in paragraph (2) hereof;

(2) In declaring dividends the directors may at any time and from time to time provide (without making any such provision in respect of payment of dividends on the Class B Shares or the Common Shares) for the payment, in whole or in part, of dividends on the Class A Shares by way of a dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act, S.C. 1970-71, C-63, as from time to time amended, or as defined in any successor Canadian federal income tax law, provided, however, that no such provision for payment may be made by the directors in respect of any such dividend on the Class A Shares unless, forthwith following the making of such provision, the directors declare a dividend, payable forthwith following the payment of the said dividend on the Class A Shares, on each Class B Share and each Common Share then outstanding equal to the sum of:

- (i) the cash dividend payable at that time on each Class A Share then outstanding, plus
- (ii) in the case of a dividend on the Class A Shares paid out of tax-paid undistributed surplus on hand, an amount equal to the tax paid by the Corporation and/or by any one or more of its subsidiary corporations under the said Income Tax Act or under predecessor statutes to create tax-paid undistributed surplus on hand equal to the amount of the cash dividend payable at that time on each Class A Share then outstanding.

(3) Any holder of Class A Shares shall be entitled at his option at any time (subject as hereinafter provided) to have all or any of the Class A Shares held by him converted into Class B Shares as the same shall be constituted at the time of conversion upon the basis of one (1) Class B Share for each one (1) Class A Share in respect of which the conversion right is exercised.

The conversion right herein provided for may be exercised by notice in writing given to a transfer agent for the Class A Shares of the Corporation accompanied by the certificate or certificates representing Class A Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class A Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class A Shares which the holder desires to have converted; upon the receipt of such notice certificates representing Class B Shares shall be issued upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Class A Shares represented by the certificate or certificates accompanying such notice; if less than all the Class A Shares represented by any certificate are to be converted the holder shall be entitled to receive a new certificate for the Class A Shares representing the shares comprised in the original certificate which are not to be converted.

(4) Any holder of Class B Shares shall be entitled at his option at any time (subject as hereinafter provided) to have all or any of the Class B Shares held by him converted into Class A Shares as the same shall be constituted at the time of conversion upon the basis of one (1) Class A Share for each one (1) Class B Share in respect of which the conversion right is exercised.

The conversion right herein provided for may be exercised by notice in writing given to a transfer agent for the Class B Shares of the Corporation accompanied by the certificate or certificates representing Class B Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Corporation as the holder of the Class B Shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class B Shares which the holder desires to have converted; upon the receipt of such notice certificates representing Class A Shares shall be issued upon the basis above prescribed and in accordance with the provisions hereof to the registered holder of the Class B Shares represented by the certificate or certificates accompanying such notice; if less than all the Class B Shares represented by any certificate are to be converted the holder shall be entitled to receive a new certificate for the Class B Shares representing shares comprised in the original certificate which are not to be converted.

(5) Neither the Class A Shares nor the Class B Shares shall be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.

(6) The authorization to amend the Articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A and Class B Shares or to create Preference Shares ranking in priority to or on a parity with the Class A and Class B Shares, in addition to the authorization by a Special Resolution may be given by at least two thirds ($\frac{2}{3}$ rds) of the votes cast at a meeting of the shareholders of the Class A or Class B Shares, as the case may be, duly called for that purpose.

(7) The holders of Class A Shares, the holders of Class B Shares and the holders of Common Shares shall not as such be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Corporation now or hereafter authorized provided that the Corporation shall not grant to the holders of Class A Shares, to the holders of Class B Shares or to the holders of Common Shares any right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Corporation without at the same time granting to the holders of shares of the other classes the same right per share to subscribe for or purchase or receive shares or bonds, debentures or other securities of the Corporation.

(8) In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs all the property and assets of the Corporation available for distribution to the holders of Class A Shares, Class B Shares and Common Shares shall be paid or distributed equally share for share to the holders of Class A Shares, Class B Shares, and Common Shares respectively without preference or distinction.

(9) The Corporation may at any time or times purchase for cancellation the whole or any part of the Class A Shares outstanding from time to time at the lowest price at which, in the opinion of the directors, such shares are obtainable, not exceeding the sum of \$100 a share, on the open market or pursuant to tenders received by the Corporation upon request for tenders addressed to all the holders of the Class A Shares, together with all unpaid, non-cumulative dividends which have previously been declared.

(10) The Corporation may at any time or times purchase for cancellation the whole or any part of the Class B Shares outstanding from time to time at the lowest price at which, in the opinion of the directors, such shares are obtainable, not exceeding the sum of \$100 a share, on the open market or pursuant to tenders received by the Corporation upon request for tenders addressed to all the holders of the Class B Shares, together with all unpaid, non-cumulative dividends which have previously been declared.

(11) Save as aforesaid, each Class A Share, each Class B Share and each Common Share shall have the same rights and attributes and be the same in all respects and the holders thereof shall on the record date for voting be entitled to one vote at all shareholders' meetings for each Class A Share, for each Class B Share, or for each Common Share held by them respectively.

At any time or times the Corporation may purchase out of its surplus, the whole or any part of the outstanding Common Shares.

(b) 5% non-voting non-cumulative redeemable Class B Preference Shares with a par value of \$100 each

<u>Date of Issue</u>	<u>Number of shares issued</u>	<u>Amount realized per share</u>	<u>Total amount realized</u>	<u>Purpose of Issue</u>
As at December 31, 1962	13,364	\$100	\$1,336,400	As part consideration for the acquisition of Superior Credit Corporation Limited (formerly Superior Discount Limited)
December 23, 1971	690	\$100	\$ 69,000	Shares issued as stock dividend

5. SHARE PROVISIONS AND VOTING POWERS

Reference is made to the heading "Description of Share Capital of the Company" on pages 10 and 11 of the attached Prospectus.

6. DIVIDEND RECORD

For information with respect to the dividend record of the Company, reference is made to page 11 of the attached Prospectus.

7. SUBSIDIARY COMPANIES

<u>Name of Company</u>	<u>Incorporated</u>	<u>Class</u>	<u>Share Capital</u>			<u>Percentage Owned by Company</u>	<u>Nature of Business</u>
			<u>Par Value</u>	<u>Authorized</u>	<u>Issued</u>		
Superior Acceptance (Alberta) Limited	Alberta, June 3, 1969	Shares	Nil	20,000	14	100%	Reference is made to the heading "Corporate Organization" on page 5 of the attached Prospectus wherein the business of each of the subsidiaries is set forth.
Superior Investment Co. Limited	Ontario January 15, 1957	Preference Common	\$10 Nil	25,245 30,000	Nil 975	100%	
Superior Credit Corporation Limited	Ontario September 9, 1948	Preference Common	\$100 \$100	900 100	200 40	100% 100%	
Superior Finance Limited	Ontario May 11, 1948	Shares	\$100	2,500	500	100%	

8. FUNDED DEBT

For information with respect to the funded debt of the Company and its subsidiaries, reference is made to the heading "Capitalization" on page 4 of the attached Prospectus, to the heading "Bank Line of Credit" on page 9 of the attached Prospectus, and to the heading "Assets Subject to Trust Indentures" on page 15 of the attached Prospectus.

9. OPTIONS, UNDERWRITERS, ETC.

- The Company has established an Employees' Stock Option Plan, the particulars of which appear on page 15 of the Prospectus.
- For particulars regarding the Underwriting Agreement between the Company and N. L. Sandler & Co. Limited, reference is made to the heading "Underwriting" on page 10 of the attached Prospectus and to the heading "Principal and Selling Shareholders" on pages 12 and 13 of the attached Prospectus.
- Certain of the Class B Fully Participating Shares of the Corporation are held in escrow, the particulars of which appear on page 13 of the Prospectus under the heading "Pledged Shares".

10. LISTING ON OTHER STOCK EXCHANGES

There are no securities of the Company listed on any other stock exchange.

11. STATUS UNDER SECURITIES ACTS

The 300,000 Class A Fully Participating Shares without par value in the capital of the Company offered for sale by the attached Prospectus were qualified for sale to the public in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan and Nova Scotia.

12. FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

13. ANNUAL MEETINGS

The By-laws of the Company provide that the annual meeting of the Company shall be held at the head office of the Company or at such other place in Ontario on such day in each year as the Board of Directors may from time to time determine. The last annual meeting was held on June 5, 1972, and adjourned. The adjourned annual meeting was held on June 23, 1972.

14. HEAD AND OTHER OFFICES

The head office of the Company is located at 22 College Street, Toronto, Ontario. The Company has no other principal offices but carries on business through branches.

15. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar with respect to the Class A Fully Participating Shares and the Class B Fully Participating Shares of the Company is Guaranty Trust Company at its principal offices in Toronto and Regina.

16. AUDITORS

For information with respect to the auditors of the Company, reference is made to the heading "Auditors, Transfer Agent and Registrar" on page 16 of the attached Prospectus.

17. DIRECTORS AND OFFICERS

For information with respect to the directors and officers of the Company, reference is made to the heading "Management of the Company" on page 14 of the Prospectus.

18. CERTIFICATE

Pursuant to a resolution duly passed by the Board of Directors, Superior Acceptance Corporation Limited hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the under-signed officers thereof hereby certify that the statements and representations made in this application and in the document submitted in support thereof are true and correct.

SUPERIOR ACCEPTANCE CORPORATION LIMITED



Per: "ABE POSLUNS",
Chairman of the Board

Per: "R. W. J. POSLUNS",
Secretary

19. CERTIFICATE OF UNDERWRITERS

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

N. L. SANDLER & CO. LIMITED

Per: "PAUL J. SCHRIEDER"

DISTRIBUTION OF CLASS A STOCK AS OF FEBRUARY 28, 1973

Number		Shares
3	 Holders of 1 — 24 share lots	4
15	 " " 25 — 99 " "	625
48	 " " 100 — 199 " "	4,975
31	 " " 200 — 299 " "	6,200
14	 " " 300 — 399 " "	4,200
4	 " " 400 — 499 " "	1,600
37	 " " 500 — 999 " "	20,375
54	 " " 1000 — up " "	524,100
206	Shareholders	Total Shares 562,079

As of the above date, N. L. Sandler & Co. Limited held shares on behalf of over 225 public shareholders, each holding a minimum of 100 shares.